

State of Louisiana



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**Oral Testimony by Scott Angelle, Secretary
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Thank you, Mr. Chairman. It is with a heavy heart that I come to our nation's capital today. Although we are here to discuss the effects of Hurricane Katrina on our national energy supply, let us all be reminded of the human tragedy on the Gulf Coast.

A special thanks to you Mr. Chairman and to you, Representative Dingell, for your fight to help coastal producing states in the recent Energy Bill. Over strong objections of the administration you gave us hope and it is only fitting that we thank you and now ask your assistance for our very survival.

The citizens of my state are still in the eye of Hurricane Katrina's wake and many are experiencing the tragedy that is still unfolding. On behalf of our great people, I thank you for your assistance in our rescue and recovery operations. Together we will rebuild a great Louisiana.

It was a wise Thomas Jefferson who sought what would become the most valuable acquisition in the history of this country, the Louisiana Purchase including the Orleans Territory. He understood the strategic importance of New Orleans and the Mississippi River for navigation interests and economic prosperity. But, ladies and gentlemen, he had no way of knowing then, the additional resources this nation would acquire from Louisiana's rich delta lands and the bounty off its shore. When it comes to energy production, energy refining, energy distribution and indeed America's energy security, this is the most important piece of real estate from sea to shining sea and every American is connected to it through the gas pump and family energy costs. We must do everything we can to protect it because

most of America has resisted energy development. In fact, it has been 25 years since America has built a new refinery.

On the other hand Louisiana has a long and distinguished history of oil and gas production.

- We host more than 80% of America's offshore oil and gas production & distribution.
- 34% of the nation's natural gas supply and almost 30% of the nation's crude oil supply is either produced in Louisiana, produced offshore Louisiana, or moves through the state and its coastal wetlands. This production is connected to nearly 50% of the country's refining capacity.
- and Louisiana alone hosts more than 16% of the total US refining capacity, second only to Texas.
- We host the Strategic Petroleum Reserve
- Port Fourchon alone services 16% of the nation's oil supply
- The Louisiana Offshore Oil Port is the only port in the nation that can handle the large supertankers from the Persian Gulf. This port alone is responsible for some 13% of America's foreign oil supply.
- We are home to America's most recently permitted LNG facility as well as America's largest LNG facility
- And we do all of this at the same time we produce 30% of our nation's fisheries catch and drain 41% of the continental United States. We have embraced the concept that we can improve the quality of life for all Americans with the responsible management of all our natural resources.
- And we do all of this when most coastal states continue to say "NO and not in my back yard."

We all know good relationships are like bank accounts and it takes a few deposits to make a few withdrawals. When it comes to energy production the 18th state of this great union has made its share of deposits and is in desperate need of a withdrawal.

Louisiana governors and Congressmen and DNR Secretaries before me, along with Federal agency heads, scientists, economists, business and industry leaders and environmental representatives have together sounded the alarm for years and respectfully, Mr. Chairman, neither Congress nor the White House – past or present – have answered the call.

We have continuously asked for the Federal commitment to restore our wetlands that protect this nation's strategic energy infrastructure off the coast of Louisiana, that protect its number one port system, the great city of New Orleans and our coastal residents from storm surge, but we have been told we should scale back our plans and be satisfied with "business as usual". That our nation simply can't afford it right now. Yet Louisiana State University research indicates that every 2.7 miles of healthy marsh can reduce storm surge by a critical 12 inches. We have the science and technology to make a difference, we simply need the financial resources.

We have asked for the Federal commitment it would take to raise our levees and build and upgrade flood and hurricane protection for our citizens and for the most strategic of American real estate but, so far, have been short changed.

We have continuously asked, pleaded and begged for true sharing of OCS revenues for the coastal producing states. We were on course to adopt a constitutional amendment next fall that would dedicate any future OCS funds the state receives to rebuilding our wetlands. Simply put, unless we invest in protecting the huge concentration of energy assets in Louisiana by restoring our wetlands and building levees, America's energy supply remains exposed.

Gratefully and because of your help, we received the first step in that sharing through coastal impact assistance for four years in the recently passed Energy Bill. But even that is woefully inadequate for such a challenge. We need true, permanent revenue sharing like that with states that produce oil and gas on federal lands onshore so that we may have the resources to protect our infrastructure.

You can imagine how amazed we were in July when our nation's Energy Secretary wrote a letter to House and Senate leaders opposing the sharing of OCS revenues through direct spending and authorized appropriations for coastal states. What more must Louisiana do when it comes to energy development to get a share of these resources so that they can be used to help protect the energy infrastructure of our nation? I think every American would agree that it just makes good common sense to take a portion of the OCS revenues to protect the infrastructure that makes this production possible.

In his letter dated July 15, 2005, Secretary Bodman said we can't afford to share revenues with the coastal states that host our nation's energy

production. It's here in writing. Well, let me share what we can't afford -- a 50 cent increase in the average per gallon cost of gasoline - post Katrina, because infrastructure was exposed. That equates to nearly \$1.3 billion dollars a week in increased fuel costs based on the daily consumption in America. That says nothing of the increased cost of plastics, building materials, home energy costs and transportation of products. When the Department of Energy doesn't think its important to share OCS revenues to allow Louisiana to protect a high concentration of energy assets; Washington we have a problem.

Concerted voices, both Republicans and Democrats, have sounded the alarm that if the commitment wasn't made, the nation would pay a far greater price. But the Office of Management and Budget continued to demand we justify the costs of our projects through years of feasibility studies. We don't have the luxury of time, especially now, and we ask OMB -- is the cost now justified?

We branded Louisiana's coast - America's Wetland and sounded the alarm that it is of great significance to the world ecology -- that it impacts the nation's economic and energy security -- that its restoration must be treated as a special circumstance because there IS no comparison with how this coastline benefits the nation or to how it impacts the nation if it is lost.

We sounded the alarm of what would happen if the "big one" ever hit New Orleans -- both in human costs and in infrastructure costs and are seeing first-hand the results. Our wounds are still gaping and if these words sound strident, I'm sure you will agree this is not rhetoric.

It's amazing just how accurate the October, 2004 edition of the National Geographic was in laying out the tragic predictions of events that actually played out this week. Yet the opposition for revenue sharing for coastal producing states continues in Washington. It's no wonder many other states won't allow drilling offshore.

The worse case scenarios the experts have long predicted are now reality.

But yet in the mist of an on-going crisis, Louisiana remains committed to the fueling of this great nation as a world energy leader. Energy companies are working to reestablish families so that the work to rebuild may begin. Keep in mind that 91% of the wells drilled last year in Louisiana were by independents, who along with the majors will need federal assistance to

repair infrastructure, tax breaks for rebuilding, low or no interest loans, permit streamlining, and immunity from outside litigation during this rebuilding process.

What sits on and off Louisiana's coast cannot be compromised – the estimated depreciated investment in offshore production facilities is more than \$85 billion, pipeline infrastructure more than \$10 billion and public coastal port facilities, \$2 billion. And this does not count onshore coastal pipelines, storage facilities, pumping stations, processing facilities and much more.

Production off Louisiana's shore alone contributes an average of \$5 billion a year to the Federal treasury....and that was when oil was less than half the \$68 dollars a barrel – plus - today.

A week after Katrina's landfall, a whopping 58% of oil production and 42% of natural gas from the OCS remains shut in. As of yesterday we still have still have 6 refineries in Louisiana shutdown from storm damage or lack of electric power. And the huge unknown is all of this is the condition of the pipeline infrastructure. When Hurricane Ivan made landfall two states away last year pipeline infrastructure took months and months to rebuild.

As more of the protection from Louisiana's barrier islands and coastal wetlands wash away, more onshore and offshore production will be damaged or destroyed by storms. And according to scientists, the increase in frequency and strength of Gulf hurricanes will be with us for years to come.

Louisiana needs America more than any state has ever needed her mother country, and yet America needs Louisiana more than ever. It is vital to the nation's security and economic future that Louisiana is not only restored – both its infrastructure and its wetlands – but that it be strengthened in the process.

Thank you for inviting me here today and “thank you” to the American people for the outpouring of your generosity and compassion in this time of need. May God Bless America and May God Restore Louisiana.

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